FRANK V. CAHOUET

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		Page 50	1		Page 52 MR. RESTIVO: Thank you.
1	Α.	No.	2		MR. FRIESEN: In fact, my first
2	Q.	Dozens or	3		question would be, once Mr. Cahouet has had a
3	Α.	A dozen. Seeing this document today, does this refresh	4		chance to look at the document, whether he
4	Q.	your recollection that you knew something about	5		recalls ever seeing it before.
5 6		the potential acquisition of Graduate back in	6		recalls ever seeing it before.
7		August of 1996?	7		(The witness reviewed the document.)
8	Α.	Not really.	8		(THE WIGHEST FEVIEWED THE DOCUMENT)
9	Q.	While you were on the board of AGH but before	9		THE WITNESS: No, I don't recall.
10	Q.	you were on the AHERF board, would you from	10	RY I	MR. FRIESEN:
11		time to time speak with Mr. Abdelhak on the	11	Q.	If you could go to the second page of the
12		phone or in person outside the context of	12	٧.	document, JB 00791
13		actual formal board meetings?	13	Α.	Yes.
14	A.	I would have to say yes. I can't recount	14	Q.	at the top it says AHERF consolidating
15	Λ.	the	15	٧.	statement of operations for the three months
16		You know, I can't remember specific	16		ended September 30th, 1997.
17		conversations, but I'd have to say yes.	17	A.	Uh-huh.
18	Q.	Could you tell me basically what kinds of	18	Q.	And some of this is hard to read, but I'll tell
19	ų.	things you would talk to him about?	19	Æ.	you what it says.
20	A.	The hospital.	20		About halfway down it says, net
21	Q.	Do you recall the first time you met	21		incomes/loss on the left.
22	ų.	Mr. Abdelhak?	22	A.	Uh-huh.
23	A.	No.	23	Q.	
24	Q.	Did you know him prior to your becoming a board	24	•	you, is \$42,571,000 for a net loss for that
25	τ.	member on AGH's board?	25		three months.
		Page 51			Page 53
1	Α.	Not really. There may have been some time gap	1	A.	Uh-huh.
2	Α.	there, but I didn't have a social relationship	2	Q.	Does that bring it
3		with him.	3		MR. COGAN: That's the number on the
4	Q.	You can put that aside. Let me show you a	4		far right?
5	٧.	document that has previously been marked as	5		MR. FRIESEN: Right.
6		Exhibit 2101.	6		MR. COGAN: What was it, 42,971?
7			7		MR. FRIESEN: 571.
8		(Deposition Exhibit No. 2101	8	BY	MR. FRIESEN:
9		previously marked for identification.)	9	Q.	I'm not saying you knew this or got this
10			10	-	document or anything else, but I would just
11		MR. FRIESEN: This is a document with	11		like to know whether you recall knowing in
12		the date October 28th, 1997, and it says AHERF	12		October of 1997 that there was such a net loss
13		consolidated financial statements,	13		for AHERF as a whole.
14		September 30th, 1997.	14	A.	No, I don't recall. I'm at a little bit of a
15		MR. RESTIVO: And again, in fairness,	15		disadvantage, because I can't read your
16		in completeness to the witness, would you tell	16		headings here.
17		him the source of this document or what the	17	Q.	Which headings?
18		Bates stamp means.	18	A.	Well, western region
19		MR. FRIESEN: The source of this	19	Q.	Right.
20		document is not the files of Mr. Cahouet.	20	A.	Eastern region?
21		That's all I can tell you right now.	21	Q.	Right.
22		MR. RESTIVO: And it does not appear	22	A.	What's this next one?
23		to be the files based on a prior document or	23	Q.	Those are various SCHC
24		anything that Mellon Bank produced?	24		Those are various subsidiaries or
127			Lar		entities within AUEDE and the one I was
25		MR. FRIESEN: That is correct.	25		entities within AHERF, and the one I was

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1		The majority of your time that you	1	you. MR. FRIESEN: I don't have anything
2		served as a trustee with an AHERF entity was at	2	
3		AGH, the Allegheny General Hospital. Is that	3	further, so we're all free to go. Thanks very
4		correct?	4	much. MR. RESTIVO: We do not waive
5	Α.	Say that	5	signature. We'd like to see the transcript,
6		Repeat that question.	6	
7		MR. FRIESEN: Objection.	7	review it for any possible errors, and sign it.
8		MR. RESTIVO: I'm going to object,	8	THE VIDEOGRAPHER: Being there's no
9		also, to the form of the question. I think	9	further questions, this deposition is ended at three o'clock.
10		it's pretty clear that he was on the board of	10 11	tillee o clock.
11		AGH beginning in 1993, and that he didn't go on	12	(The proceedings were concluded at 3:00 p.m)
12		the board of AHERF, wasn't named to the board	ı	(The proceedings were concluded at 5.00 p.m)
13		of AHERF, until January 5, 1998. Those dates	13	
14		are those dates.	14 15	
15		MR. COGAN: Okay. And really I		
16		wanted to try to establish that his role with	16	
17		AHERF, the parent, was, in fact, quite limited.	17	
18		MR. FRIESEN: I would object.	18	
19		MR. COGAN: Well, do I understand,	19	
20		Mr. Cahouet, that the first actual AHERF board	20 21	
21		meeting that you attended was in April or March	22	
22		of 1998?	23	
23		THE WITNESS: That's what the record	24	
24		Says.	25	
25		MR. FRIESEN: Objection. I guess I'm	23	
		Page 143		Page 145
1		not supposed to object to an answer.	1	COMMONWEALTH OF PENNSYLVANIA) CERTIFICATE
2		not supposed to object to an answer. MR. COGAN:	2	COMMONWEALTH OF PENNSYLVANIA) CERTIFICATE COUNTY OF ALLEGHENY) SS:
2 3	BY Q.	not supposed to object to an answer. MR. COGAN: And during your tenure as a member of the AHERF	2	COMMONWEALTH OF PENNSYLVANIA) CERTIFICATE COUNTY OF ALLEGHENY) SS: I, G. Donavich, RPR, CRR, a Court Reporter and
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2 3 4 5	Q.	not supposed to object to an answer. MR. COGAN: And during your tenure as a member of the AHERF board, did you ever serve on the finance or audit committee of that board?	2 3 4 5	COMMONWEALTH OF PENNSYLVANIA) CERTIFICATE COUNTY OF ALLEGHENY) SS: I, G. Donavich, RPR, CRR, a Court Reporter and Notary Public in and for the Commonwealth of Pennsylvania, do hereby certify that the witness,
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FRANK V. CAHOUET

	COMMONIMENTIL OF DENNICYLVANIA E.D.D.A.T.A.	Page 146		
2	COMMONWEALTH OF PENNSYLVANIA) E R R A T A COUNTY OF ALLEGHENY) S H E E T			Chick Continues
3	I, FRANK V. CAHOUET, have read the foregoing pages of my deposition given on Wednesday, March 5, 2004, and wish to make the following, if any,			
5 6	amendments, additions, deletions or corrections: Page/Line Should Read Reason for Change			THE REPORT
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10 11				100 m
12 13 14				· · · · · · · · · · · · · · · · · · ·
15 16 17				The same of the
18 19	In all other respects, the transcript is true and			STANSON NO.
20 21	correct.			Secondary and
22	FRANK V. CAHOUET Subscribed and sworn to before me this			
23 24	Notary Public			100
25	AKF Reference No. 79731			
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Camp Dep.

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Page 1
          IN THE UNITED STATES DISTRICT COURT FOR THE
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               WESTERN DISTRICT OF PENNSYLVANIA
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3
     THE OFFICIAL COMMITTEE OF
    UNSECURED CREDITORS OF
4
     ALLEGHENY HEALTH, EDUCATION &
    RESEARCH FOUNDATION,
5
                     Plaintiff,
6
                                          Civil Action
 7
                   -vs-
                                          No. 00-684
     PRICEWATERHOUSECOOPERS, L.L.P. )
 8
                     Defendant.
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11
            VIDEOTAPE DEPOSITION OF: BRIAN W. CAMP
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14
                              June 28, 2004
                      DATE:
                               Monday, 10:00 a.m.
15
16
                  LOCATION: MANION McDONOUGH & LUCAS
                               14th Floor
17
                               U.S. Steel Building
                               Pittsburgh, PA
                                               15219
18
                               412-232-0200
19
                  TAKEN BY: Defendant
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21
                              JoAnn M. Brown, RMR, CRR
               REPORTED BY:
                               Notary Public
22
                               AKF Reference No. JB81435
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		Page 126			Page 128
1		1785.	1	Q.	Having looked at this, you know that AHERF had
2	Á.	Okay.	2	•	affiliates in the Delaware Valley, is that
3		And, again, we're looking at Section 1 which	3		correct?
l	Q.	includes the most significant issues with	4	A.	Yes. That's what this says.
4					Flip back to page 30891.
5		respect to the credit addressed in this credit	5	Q.	
6		review, is that right?	6	Α.	Okay.
7	A.	Yes.	7	Q.	This is the portion of the document with
8	Q.	And if we look at the third bullet point from	8		Ms. Mammarella's signature at the end, correct?
9		the end under that section, that paragraph	9	A.	30891?
10		begins you've written, The individual	10	Q.	I may have a pagination problem here.
11		hospitals of the Delaware Valley group are	11	A.	Okay.
12		currently experiencing staff reductions to	12	Q.	Sorry. I directed to you the wrong page.
13		offset an AHERF reported \$6 million decrease in	13		30839
14		reimbursement. Overcapacity can also be	14	A.	839.
15		singled out for the current market situation.	15	Q.	is the page that we need.
			16	ų.	MR. UNICE: 839?
16	_	Did I read that correctly?	17		MR. SMITH: Yes.
17	Α.	Yes.			
18	Q.	If we flip to page 891 with the Bates ending	18	Α.	Okay.
19		891, if you look at the second bullet point on	19	Q.	And this is the section of the document that I
20		that page, which is, again, a continuation	20		believe was authored by Ms. Mammarella, is that
21		under the heading Operating Performance	21		correct?
22	A.	Okay.	22	Α.	Yeah, I'm not sure, but her name is at the end
23	Q.	it again says, The individual hospitals of	23		of the section, so I believe it was.
24	_	the Delaware Valley group are currently	24	Q.	In the paragraph at the top of that page, it
25		experiencing staff reductions to offset an	25		says, While cost savings of approximately \$40
1 2 3 4		AHERF reported \$6 million decrease in reimbursement. And then it says, Also contributing to this reduction was overcapacity.	1 2 3 4		to \$50 million through headcount cuts have been achieved so far, (specifically a six percent reduction in the work force, or 1,200 jobs, primarily in Philadelphia), such expenses still
5	A.	Okay.	5		have negatively impacted the organization's
6	Q.	Is that correct?	6		operating results as much more restructuring is
7	A.	Yes. That's what I see.	7		needed. Did I read that correctly?
8	Q.	Do you recall in this time frame that AHERF's	8	Α.	Yes.
9	•	Delaware Valley group affiliates were	9	Q.	And the next sentence says, AHERF management
10		experiencing layoffs?	10		initially stated that the staffing cuts and a
11	A.	No, I don't. Before I came here and read this,	11		20 percent pay cut imposed upon executives
12		I really didn't remember what the Delaware	12		throughout its system were due to the state's
13		Valley group was. So, no, all I can really say	13		mandatory shift of Philadelphia's Medicaid
14		is what I'm reading.	14		patients into managed care and on the federal
15	Q.		15		government's attempts to rein in on Medicare
113					
16	-	•			spending. Did I read that one correctiv?
16	-	That's okay.	16	Δ	spending. Did I read that one correctly? Yes That's what I see.
17	Ā.	That's okay. I was just saying all I can really	16 17	Α.	Yes. That's what I see.
17 18	Ä.	That's okay. I was just saying all I can really remember about the Delaware Valley group is	16 17 18	A. Q.	Yes. That's what I see. Do you recall any discussions with anyone in
17 18 19	Ä.	That's okay. I was just saying all I can really remember about the Delaware Valley group is what I'm reading actually right here.	16 17 18 19		Yes. That's what I see. Do you recall any discussions with anyone in the Health Care Lending Group with respect to
17 18 19 20	Ä.	That's okay. I was just saying all I can really remember about the Delaware Valley group is what I'm reading actually right here. Do you recall that AHERF had affiliates in the	16 17 18 19 20		Yes. That's what I see. Do you recall any discussions with anyone in the Health Care Lending Group with respect to layoffs by AHERF of 1,200 employees amounting
17 18 19	Ä.	That's okay. I was just saying all I can really remember about the Delaware Valley group is what I'm reading actually right here. Do you recall that AHERF had affiliates in the Delaware Valley?	16 17 18 19 20 21		Yes. That's what I see. Do you recall any discussions with anyone in the Health Care Lending Group with respect to layoffs by AHERF of 1,200 employees amounting to a six percent reduction in the work force?
17 18 19 20	A. Q.	That's okay. I was just saying all I can really remember about the Delaware Valley group is what I'm reading actually right here. Do you recall that AHERF had affiliates in the Delaware Valley? In reading this, I can see that. Before, I	16 17 18 19 20 21 22		Yes. That's what I see. Do you recall any discussions with anyone in the Health Care Lending Group with respect to layoffs by AHERF of 1,200 employees amounting to a six percent reduction in the work force? No. I remember no layoff talks.
17 18 19 20 21	A. Q. A.	That's okay. I was just saying all I can really remember about the Delaware Valley group is what I'm reading actually right here. Do you recall that AHERF had affiliates in the Delaware Valley?	16 17 18 19 20 21 22	Q.	Yes. That's what I see. Do you recall any discussions with anyone in the Health Care Lending Group with respect to layoffs by AHERF of 1,200 employees amounting to a six percent reduction in the work force? No. I remember no layoff talks. Do you know whether those layoffs referenced at
17 18 19 20 21 22	A. Q. A.	That's okay. I was just saying all I can really remember about the Delaware Valley group is what I'm reading actually right here. Do you recall that AHERF had affiliates in the Delaware Valley? In reading this, I can see that. Before, I	16 17 18 19 20 21 22	Q.	Yes. That's what I see. Do you recall any discussions with anyone in the Health Care Lending Group with respect to layoffs by AHERF of 1,200 employees amounting to a six percent reduction in the work force? No. I remember no layoff talks. Do you know whether those layoffs referenced at page 30839 are the same staff reductions that
17 18 19 20 21 22 23	A. Q. A.	That's okay. I was just saying all I can really remember about the Delaware Valley group is what I'm reading actually right here. Do you recall that AHERF had affiliates in the Delaware Valley? In reading this, I can see that. Before, I couldn't have told you what the Delaware Valley	16 17 18 19 20 21 22 23	Q.	Yes. That's what I see. Do you recall any discussions with anyone in the Health Care Lending Group with respect to layoffs by AHERF of 1,200 employees amounting to a six percent reduction in the work force? No. I remember no layoff talks. Do you know whether those layoffs referenced at

the two paragraphs that we read from your section immediately preceding? A. No, I don't recall. I can read. I don't recall explicitly. In reading it, it looks like they may be referring to the same thing, but I'm not sure, because I don't use the same language that's used here. What was the second page that you're referring me to? Q. Of your section? Yeah, my document. Q. Of your section? A. A. No, I don't recall. I can read. I don't see the same language that's used here. What was the second page that you're referring me to? A. A. No, I don't reall precall and the same thing. A. Yeah, my document. A. A. No, I don't reall precall and the paragraphs you read me enumber before I came here, and this is also referring to, it looks like, job cuts in that group of hospitals in Philadelphia, but I don't really recall. That's pretty much what I basically recall about it. I really didin't remember the Delaware Valley group until we just read about it. Do you remember the Allegheny General Hospital. October 18, 1997 entitled Explaining Why The Ax Fell For 1,200. As part of your responsibilities in monitoring health care credits, would you keep apprised for press reports addressing the Page 131 entities for which you did credit analyses? In general, I wouldn't say I read all the papers from the different cities, like, I don't remember this article, but I would say I would have attempted to stay as apprised as I could. Di oy ou say you would have attempted to stay as apprised as you could? A. Yeah, I would have sought out whatever I could have found, but I don't recall reading this. This particular newspaper article? A. Yeah, I would have submethed to stay as apprised as you could? A. Yeah, I would have submethed to stay as apprised as you could? A. Yeah, I would have submethed to stay as apprised as you could? A. Yeah, I would have submethed to stay as apprised as you could? A. Yeah, I member doing I remember the hospital. Do you use we underneath the headline, Explaining Why The Ax Fell For 1,						
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sike they may be referring to the same thing, but I'm not sure, because I don't use the same language that's used here. What was the second page that you're referring me to? Of your section? A Yeah, my document. Odo of your section we're looking at is the second bullet point. A Agol. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and the section we're looking at is the second bullet point. A Wash and wash to you remember about that obligated group? A Wash and wash to you remember about that obligated group? A Wash and wash and any second bullet point. A Wash and wash and any second bullet point. A Wash and wash and any	3	A.				• • • • • • • • • • • • • • • • • • • •
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Page 270 Q. — clid you seek the help of others in understanding the different components of the financials that you thought were important to your project? A. Oh, did I ask questions of others? A. I would have assumed I would have asked questions of anybody that previously had the account, and then as I don't really remember, I'm telling you what I would assume I would assume I would a we done. Lowedone. Lowedone						
2 understanding the different components of the financials that you thought were important to your project? 5 A. Oh, did I ask questions of others? 6 A. I would have assumed I would have asked questions of anybody that previously had the account, and then as I don't really remember, I'm telling you what I would assume I would have done. 12 Q. Well, I don't want you to do that. 13 A. Okay. 14 Q. I don't want you to assume. 15 A. I don't remember who I would have asked questions to. 17 Q. Okay. Fair enough. 18 m going to focus now on the audited financial statements before they came to me. That's why I valued audited financial statements and provided financial statements? 15 A. Okay. 16 Q. Okay. I want to break that down a little bit. 17 A. No, I don't. 18 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 19 A. No, I don't. 10 A. No, I don't. 11 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 19 A. No, I don't. 10 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 11 A. No, I don't. 12 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 12 Q. Do you have an understanding of who AHERP's auditors were in the 1997 time frame? 13 Q. Tell me when you're there. 14 A. No, I don't. 15 Q. Turn to Bates 30915 in Exhibit 1785. 16 Q. Turn to Bates 30915 in Exhibit 1785. 17 A. No, I don't. 18 Q. Turn to Bates 30915 in Exhibit 1785. 19 Q. Turn to Bates 30915 in Exhibit 1785. 10 Q. Turn to Bates 30915 in Exhibit 1785. 11 Q. A. Okay. 12 Q. Does that refresh your memory as to the AHERF system's external auditors were in that time frame? 18 Q. Turn to Bates 30915 in Exhibit 1785. 19 Q. Does that refresh your memory as to the AHERF system's external auditors were in that time frame? 20 Q. Does that refresh your memory as to the AHERF system's external auditors were			Page 270			-
understanding the different components of the financials that you thought were important to your project? A. Oh, did I ask questions of others? A. I would have assumed I would have asked questions of anybody that previously had the account, and then as I don't really remember, I'm telling you what I would assume I would have asked questions of anybody that previously had the have done. 12. Q. Well, I don't want you to do that. 3. A. Okay. 4. Q. I don't want you to assume. 4. A. I would have assumed. 5. A. I don't want you to assume. 5. A. I don't remember who I would have asked questions to. 6. Q. Okay. Fair enough. 7. Q. Okay. Fair enough. 8. Right. 9. Q. Do you have an understanding of what the term clean opinion means in the context of a financial statements? 9. A. No, I don't. 9. Q. Do you have an understanding of who AHERP's auditors were in the 1997 time frame? 9. Q. Do you have an understanding of who AHERP's auditors were in the 1997 time frame? 1. A. No, I don't. 9. Q. Do you have an understanding of who AHERP's auditors were in the 1997 time frame? 1. A. No, I don't. 9. Q. Do you have an understanding of who AHERP's auditors were in the 1997 time frame? 1. A. No, I don't. 9. Q. Do you have an understanding of who AHERP's auditors were in the 1997 time frame? 1. A. No, I don't. 9. Q. Do you have an understanding of who AHERP's auditors were in the 1997 time frame? 1. A. No, I don't. 9. Q. Do you have an understanding of who AHERP's auditors were in the 1997 time frame? 1. A. No, I don't. 1. Time the term unqualified opinion? 2. A. No, I don't. 3. Q. Tell me when you're there. 4. A. Pisht. 4. A. I'm there. 5. Copers & Lybrand. Do you see that? 5. A. Correct. 6. Copers & Lybrand. Do you see that? 6. Q. Does that refresh your memory as to the AHERF system's external auditors were in that time frame? 10. Q. A. Okay. 11. Time the	1	Q.	did you seek the help of others in	1		employees of Coopers relating to AHERF during
3 financials that you thought were important to you project? 5 A. Oh, idd I ask questions of others? 6 Q. Yes, sir. A. I would have assumed I would have asked questions of anybody that previously had the account, and then as I don't really remember, I'm telling you what I would assume I would have asked questions of anybody that previously had the account, and then as I don't really remember, I'm telling you what I would assume I would have asked questions to anybody that previously had the account, and then as I don't really remember, I'm telling you what I would assume I would have asked questions to. 12 Q. Well, I don't want you to assume. 13 A. No, I don't awant you to do that. 14 Q. I don't want you to assume. 15 A. I don't remember who I would have asked questions to. 17 Q. Okay. Fair enough. 18 I'm going to focus now on the audited financial statements that PNC apparently did have at its disposal in this time frame. 21 A. Right and the auditors were in the context of a financial statement? 22 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 23 MR. SMITH: Object to foundation. 24 A. No, I don't. 25 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 26 A. Okay. 27 A. No, I don't. 28 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 29 A. Okay. 20 Cokay. 21 A. Okay. 22 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 24 A. Yes, I doo. 25 Coppors & Lybrand. Do you see that? 26 Coppors & Lybrand. Do you see that? 27 A. Correct. 38 A. Ro, I did not. 39 A. No, I don't. 30 A. Okay. 31 Q. Tell me when you're there. 41 A. I'm there. 42 A. Yes, I doo. 43 A. Yes, I doo. 44 A. Yes, I doo. 45 A. Correct. 46 Correct. 47 A. I'm there. 48 Correct. 49 C. Do you have an understanding of who AHERF's auditors were in that time frame? 49 C. Doos that the frame. 40 Correct. 41 A. I'm there. 42 C. Doos that refresh your memory as to the AHERF's from the top, there		-	understanding the different components of the	2		your tenure with PNC?
your project? A. Oh, did I ask questions of others? C. Yes, sir. A. Oh, did I ask questions of others? C. Yes, sir. A. I would have assumed I would have asked questions of anybody that previously had the account, and then as I don't really remember, Im telling you what I would assume I would have assumed that their role is to audit the financial statements before they came to me. That's why I valued audited financial statements before they came to me. That's why I valued audited financial statements before they came to me. That's why I valued audited financial statements that PNC apparently did have at its disposal in this time frame. A. Right. C. Okay. Fair enough. The going to focus now on the audited financial statements that PNC apparently did have at its disposal in this time frame. A. Right. C. Ob you have an understanding of what the term clean opinion means in the context of a financial statement? MR. SMITH: Object to foundation. A. No, I don't. C. Do you virecall the term unqualified opinion? MR. SMITH: Object to foundation. A. No, I don't. C. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? A. No, I don't. C. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? A. No, I don't. C. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? A. No, I don't. C. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? A. No, I don't. C. Do you fave an understanding of who AHERF's auditors were in the 1997 time frame? A. No, I don't. C. Do you fave an understanding of who AHERF's auditors were in the 1997 time frame? A. No, I don't. C. Do you fave an understanding of who AHERF's auditors were in the 1997 time frame? A. No, I don't. C. Do you fave an understanding of who AHERF's auditors were in the 1997 time frame? A. No, I don't. C. Do you fave an understanding of who AHERF's auditors were in the 1997 time frame? A. No, I don't. C. Do you fave an understanding of who AHERF's auditors were in the 1				3	A.	No, I did not.
5 A. Oh, did I ask questions of others? 6 Q. Yes, sir. A. I would have assumed I would have asked questions of anybody that previously had the account, and then as I don't really remember, I'm telling you what I would assume I would have done. 10 Q. Well, I don't want you to do that. 11 A. Okay. 12 Q. Okay. Fair enough. 13 A. I don't remember who I would have asked questions to. 14 Q. Okay. Fair enough. 15 A. I don't remember who I would have asked financial statements that PNC apparently did have at its disposal in this time frame. 16 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 17 MR, SMITH: Object to foundation. 18 A. No, I don't remember. 19 A. No, I don't remember. 20 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 21 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 22 Q. This is a spread for AGH, correct? 23 A. Okay. 24 A. Okay. 25 C. This is a spread for AGH, correct? 26 A. Okay. 27 A. Yes, I do. 28 A. Yes, I do. 29 A. Yes, I do. 20 Q. Doeyer & Lybrand. Do you see that? 29 A. Yes, I doe. 20 Q. Doeyers & Lybrand. Do you see that? 20 A. Yes, I doe. 21 Q. Does that refresh your memory as to the AHERF from the top, there is listed auditors, from the top, there is listed auditors of audited from the auditor			, -		Q.	Do you understand that the let me ask you a
6 Q. Yes, sir. 7 A. I would have assumed I would have asked 8 questions of anybody that previously had the 9 account, and then as I don't really remember, 1 I'm telling you what I would assume I would 1 have done. 1 Q. Well, I don't want you to do that. 1 A. Okay. 1 I don't tempther who I would have asked 1 questions to. 1 Q. Okay. Fair enough. 1 I'm going to focus now on the audited financial statements that PNC apparently did 1 have at its disposal in this time frame. 2 A. Right. 2 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statements in the Popt to foundation. 2 Page 271 1 A. No, I don't. 2 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 3 A. No, I don't. 3 Q. I want to show you a document to maybe refresh your memory. 4 A. Okay. 5 Q. Trun to Bates 30915 in Exhibit 1785. 5 Q. This is a spread for AGH, correct? 5 Q. A test po of the document, about four lines from the top, there is listed auditors, resystem's external auditors were in that time frame? 2 Q. A test po of the document, about four lines from the top, there is listed auditors, frame? 2 Q. A test, I doo. 3 Q. A test poor the terman of the correct of a financial statements of a page 271 than just somebody pulling something of a spread sheet. 4 A. I'm there. 5 Q. This is a spread for AGH, correct? 5 Q. This is a spread for AGH, correct? 6 Q. Do you be that refresh your memory as to the AHERF's system's external auditors were in that time frame? 7 Q. At the top of the document, about four lines from the top, there is listed auditors, from the top, there is listed audi		Δ			•	·
7 A. I would have assumed I would have asked questions of anybody that previously had the account, and then as I don't really remember, I'm telling you what I would assume I would have done. 10 I well, I don't want you to do that. 11 A. Okay. 12 Q. Well, I don't want you to assume. 13 A. Okay. 14 Q. I don't want you to assume. 15 A. I don't remember who I would have asked questions to. 17 Q. Okay. Fair enough. 18 I'm going to focus now on the audited financial statements that PNC apparently did have at its disposal in this time frame. 19 A. Right. 20 Do you have an understanding of what the term clean opinion means in the context of a financial statement? 21 A. No, I don't remember. 22 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 21 A. No, I don't remember. 22 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 23 MR. SMITH: Object to foundation. 24 A. Okay. 25 I want to show you a document to maybe refresh your memory. 26 A. Okay. 27 Turn to Bates 30915 in Exhibit 1785. 28 Q. Tim to Bates 30915 in Exhibit 1785. 29 C. This is a spread for AGH, correct? 20 A. Okay. 20 Tim telling you what I would assume I would in the increase of financial statements? 27 MR. SMITH: Object to foundation. 28 Q. I want to show you a document to maybe refresh your memory. 29 A. Okay. 30 Tell me when you're there. 31 Q. Tell me when you're there. 32 Q. This is a spread for AGH, correct? 33 A. Okay. 34 A. The benefit of the auditors had discovered what they considered to be GAAP violators in the information that AHERF management had provided to them, would you have warnet frame? 29 A. Yes, I doo. 20 Doses that refresh your memory as to the AHERF frame? 21 Q. Dose that refresh your memory as to the AHERF frame? 22 A. Yes, It does.						
account, and then as I don't really remember, limited account, and then as I don't really remember, limited account, and then as I don't really remember, limited account, and then as I don't really remember, limited account, and then as I don't really remember, limited account, and then as I don't really account, and then as I don't really account, and then as I don't any out of assume I would have assume I would have assumed. Do you not audit the financial statements before they came to me. That's why I valued audited financial statements above draft. A Okay, I'm going to focus now on the audited financial statements that PNC apparently did have at its disposal in this time frame. A Right. Do you have an understanding of what the term clean opinion means in the context of a financial statement? MR. SMITH: Object to found attinuation. A Right. Okay, Fair enough. I'm going to focus now on the audited financial statements above draft. A Right. Oby ou have an understanding of what the term clean opinion means in the context of a financial statement? A No, I don't remember. A No, I don't remember. A No, I don't. A No, I don't. A No, I don't. A No, I don't. A Okay. I Turn to Bates 30915 in Exhibit 1785. A Okay. C Tim to when you're there. A Okay. C This is a spread for AGH, correct? A Ney, I don. A Yes, I do. A Yes, It does. I would have assumed that their role is to audit the financial statements before they came to me. That's why I valued audited financial statements above draft. Q Okay. I want to brow what the term understanding statements above draft. Q Okay. Why would in be important for you in reviewing audited financial statements and prizing them above draft. A No, I don't remember. A No, I don't. Q Do you reacall the term unqualified opinion? A No, I don't. Q Do you have an understanding of who AHERF's auditors were in the 1997 time frame? A No, I don't. Q Do you have an understanding of who AHERF's auditors were in t		-				
9 account, and then as I don't really remember, 10 I'm telling you what I would assume I would 11 have done. 12 Q. Well, I don't want you to do that. 13 A. Okay. 14 Q. I don't want you to assume. 15 A. I don't remember who I would have asked 16 questions to. 17 Q. Okay. Fair enough. 18 I'm going to focus now on the audited 19 financial statements that PNC apparently did 19 have at its disposal in this time frame. 19 Q. Do you have an understanding of what the term 19 clean opinion means in the context of a 19 financial statements that PNC apparently did 10 have at its disposal in this time frame. 11 A. Right. 12 Q. Do you have an understanding of what the term 12 Q. Do you lave an understanding of what the term 13 dean opinion means in the context of a 14 A. No, I don't remember. 15 Q. Do you recall the term unqualified opinion? 16 Q. Do you are an understanding of who AHERF's 17 A. No, I don't. 18 Q. I want to show you a document to maybe refresh 19 your memory. 19 A. Okay. 10 A. Okay. 11 Q. Turn to Bates 30915 in Exhibit 1785. 11 A. Okay. 12 Q. This is a spread for AGH, correct? 13 Q. Tim the Bates 30915 in Exhibit 1785. 14 A. Okay. 15 A. Okay. 16 Q. Okay. It want to obreak that down a little bit. 17 Q. At the top of the document, about four lines 18 from the top, there is listed auditors, 19 Coopers & Lybrand. Do you see that? 20 Q. Do you bate tarrefresh your memory as to the AHERF's 21 system's external auditors were in that time 22 frame? 23 C. Do you bate tarrefresh your memory as to the AHERF's 24 System's external auditors were in that time 25 frame? 26 A. Yes, It does.		Λ.				
1 I'm telling you what I would assume I would 11 have done. 2 Q. Well, I don't want you to do that. 3 A. Okay. 4 Q. I don't want you to assume. 5 A. I don't remember who I would have asked questions to. 6 Q. Okay. Fair enough. 8 I'm going to focus now on the audited financial statements that PNC apparently did have at its disposal in this time frame. 21 A. Right. 22 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statements. 23 A. No, I don't. 24 Q. Do you recall the term unqualified opinion? 25 A. No, I don't. 26 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 27 A. No, I don't. 28 Q. Turn to Bates 30915 in Exhibit 1785. 39 Q. Turn to Bates 30915 in Exhibit 1785. 40 Q. Time when you're there. 41 A. I'm there. 41 A. I'm there. 42 Q. This is a spread for AGH, correct? 41 A. Yes, I do. 42 Yes, I do. 43 Yes, It does. 44 Yes, I do. 45 Q. This is a spread for AGH, correct? 46 Q. Toopers & Lybrand. Do you see that? 47 Q. A tte top of the document, about four lines from the top, there is listed auditors, copers & Lybrand. Do you see that? 48 Yes, It does. 49 Q. Toop that refresh your memory as to the AHERF's system's external auditors were in that time frame? 50 Q. Do you bate and understanding of who AHERF's auditors were in that time frame? 51 Q. Turn to Bates 30915 in Exhibit 1785. 52 Q. This is a spread for AGH, correct? 53 Q. This is a spread for AGH, correct? 54 A. Okay. 55 Q. This is a spread for AGH, correct? 56 A. Correct. 57 Q. At the top of the document, about four lines from the top, there is listed auditors, copers & Lybrand. Do you see that? 58 Q. This is a spread for AGH, correct? 59 Q. This is a spread for AGH, correct? 50 Q. Do you be that refresh your memory as to the AHERF's system's external auditors were in that time frame? 50 Q. This is a spread for AGH, correct? 51 Q. This is a spread for AGH, correct? 52 Q. This is a spread for AGH, correct? 53 Q. This is a spread for AGH, correct? 54 A. Yes, It does. 55 Q.						
have done. 11					۸	-
to me. That's why I valued audited financial statements above draft. A Okay. J don't remember who I would have asked questions to. A I don't remember who I would have asked questions to. Timpoing to focus now on the audited financial statements that PNC apparently did have at its disposal in this time frame. A Right. Do you have an understanding of what the term clean opinion means in the context of a financial statement? MR. SMITH: Object to foundation. Page 271 A No, I don't remember. Q Do you recall the term unqualified opinion? MR. SMITH: Object to foundation. A No, I don't. A No, I don't. Q Do you have an understanding of who AHERF's auditors were in the 1997 time frame? A No, I don't. Q Turn to Bates 30915 in Exhibit 1785. Q Tell me when you're there. A I'm there. Q A the top of the document, about four lines from the top, there is listed auditors, coopers & Lybrand. Do you see that? Yes, I do. Ves, It does. That's why I valued audited financial statements be that down a little bit. Q Chay. I want to break that down a little bit. Q Chay. I vant to break that down a little bit. Q Chay. I want to break that down a little bit. Q Chay. I want to break that down a little bit. Q Chay. I want to break that down a little bit. Q Chay. Harm to break that down a little bit. Q Chay. Why would have assumed. Do you not have a current understanding sitting here today of what your — A No, I don't remember. That's why I valued audited financial statements have a current understanding sitting here today of what your — A Ves, that's my current understanding. Q Chay. Why would it be important for you in reviewing audited financial statements to have an independent auditing firm review them? The a standard format, to make sure that the information there meets some standard other or a spread sheet. You mentioned earlier today a term called GAAP or G-A-A-P? MR. SMITH: Objection. A No, I don't reall that: A No, I don't remember. Q Do you neveall theterm unqualified opinion? A No, I don't r			- ·		Λ.	•
13 A. Okay. 14 Q. I don't want you to assume. 15 A. I don't remember who I would have asked questions to. 16 Q. Okay. Fair enough. 17 Q. Okay. Fair enough. 18 I'm going to focus now on the audited financial statements that PNC apparently did have at its disposal in this time frame. 20 A. Right. 21 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 22 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 23 MR. SMITH: Object to foundation. 24 A. No, I don't. 25 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 26 A. No, I don't. 27 Q. I want to show you a document to maybe refresh your memory. 28 Q. I want to show you a document to maybe refresh your memory. 39 A. Okay. 40 A. Okay. 41 Q. Okay. I want to break that down a little bit. 41 A. Okay. I want to break that down a little bit. 42 A. Ves, I do. 43 You said you would have assumed. Do you not have a current understanding sitting here today of what your 44 Yes, that's my current understanding. 44 A. No, I don't remember. 45 A. Okay. 46 A. No, I don't remember. 47 A. No, I don't. 48 Q. I want to show you a document to maybe refresh your memory. 49 A. Ves, I do. 40 A. Okay. 41 Q. Turn to Bates 30915 in Exhibit 1785. 41 Q. Turn to Bates 30915 in Exhibit 1785. 41 Q. This is a spread for AGH, correct? 41 Q. This is a spread for AGH, correct? 42 A. Yes, I do. 43 You said you would have assumed. Do you not have a current understanding sitting here today of what pour 44 Yes, I do. 45 Yes, I do. 47 Yes, that's my current understanding sitting here today of what pour 47 Yes, that's my current understanding siting here today of what pour 48 Yes, that's my current understanding siting here today of what pour 49 Yes, that's my current understanding siting here today of what pour 49 Yes, that's my current understanding siting here today of what pour 49 Yes, that's my current understanding siting here toda	ı	_				
14 Q. I don't want you to assume. 15 A. I don't remember who I would have asked questions to. 16 questions to. 17 Q. Okay. Fair enough. 18 I'm going to focus now on the audited financial statements that PNC apparently did have at its disposal in this time frame. 21 A. Right. 22 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 23 mR. SMITH: Object to foundation. 24 A. No, I don't remember. 25 MR. SMITH: Object to foundation. 26 A. No, I don't. 27 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 28 Q. I want to break that down a little bit. 29 A. No, I don't want you to assume. 20 Q. Okay. I want to break that down a little bit. 21 A. Okay. 22 A. Yes, It does. 24 Q. Okay. I want to break that down a little bit. 25 A. Okay. 26 A. Okay. Why would it be important for you in reviewing audited financial statements to have an independent auditing firm review them? 22 A. No, I don't remember. 23 MR. SMITH: Object to foundation. 24 A. No, I don't. 25 Page 271 26 Q. Do you recall the term unqualified opinion? 27 MR. SMITH: Object to foundation. 28 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 29 A. Ves, I do. 20 Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 29 A. Ves, I do. 20 Do you have an understanding of who AHERF's auditors responsibilities were regarding compliance with GAAP principles? 20 MR. SMITH: Objection. 21 A. No, I don't recall that? 22 A. Ves, I do. 23 C. Do you have an understanding of who AHERF's auditors responsibilities were regarding compliance with GAAP principles? 28 MR. SMITH: Objection. 29 Do you recall the term unqualified opinion? 30 MR. SMITH: Objection. 31 A. No, I don't. 32 Q. Tell me when you're there. 33 Do you have an understanding of who AHERF's auditors' responsibilities were regarding compliance with GAAP principles? 39 MR. SMITH: Objection. 30 Q. Now, in the course of your review of audited financial statements, if th			· · · · · · · · · · · · · · · · · · ·			
15 A. I don't remember who I would have asked questions to. 16 Questions to. 17 Q. Okay. Fair enough. 18 I'm going to focus now on the audited financial statements that PNC apparently did have at its disposal in this time frame. 21 A. Right. 22 Q. Do you have an understanding of what the term claim opinion means in the context of a financial statement? 23 dean opinion means in the context of a financial statement? 24 M. No, I don't remember. 25 Q. Do you recall the term unqualified opinion? 3 MR. SMITH: Object to foundation. 26 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 4 A. No, I don't. 2 Q. I want to show you a document to maybe refresh your memory. 5 Q. Turn to Bates 30915 in Exhibit 1785. 1 Q. Tell me when you're there. 1 A. I'm there. 1 Q. A. Correct. 1 Q. A. Ves, I do. 2 A. Yes, I do. 3 Q. Why would it be important for you in review them? 4 A. No, I don't remember. 2 Page 271 1 A. No, I don't remember. 2 Page 271 2 Q. Do you recall the term unqualified opinion? 3 MR. SMITH: Object to foundation. 4 A. No, I don't. 5 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 6 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 7 A. No, I don't. 8 Q. I want to show you a document to maybe refresh your memory. 10 A. Okay. 11 Q. Tell me when you're there. 12 A. Correct. 13 Q. Now, in the course of your review of audited financial statements, to have an independent auditing firm review them? 1 treviewing audited financial statements to have an independent auditing firm review them? 1 A. No, I don't remember. 2 Can opinion means in the context of a an independent auditing firm review them? 1 A. No, I don't. 2 Q. Do you recall the term unqualified opinion? 3 Q. You mentioned earlier today a term called GAAP or G-A-A-P? 4 A. Vim there. 5 Q. Did you have any understanding as to what the auditors' responsibilities were regarding compliance with GAAP principles? 6 Q. Did you			•		_	
16 questions to. 17 Q. Okay. Fair enough. 18 I'm going to focus now on the audited financial statements that PNC apparently did have at its disposal in this time frame. 20 A. Right. 21 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 22 Q. Do you have an understanding of what the term clean opinion means in the context of a financial statement? 23 MR. SMITH: Object to foundation. 24 A. No, I don't remember. 25 MR. SMITH: Object to foundation. 26 Q. Do you recall the term unqualified opinion? 27 A. No, I don't. 28 Q. I want to show you a document to maybe refresh your memory. 29 A. Okay. 20 Do you recall the term unqualified opinion? 30 MR. SMITH: Object to foundation. 4 A. No, I don't. 5 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 4 A. No, I don't. 6 Q. Do you recall that? 7 A. No, I don't. 8 Q. I want to show you a document to maybe refresh your memory. 9 Qur memory. 10 A. Okay. 11 Q. Turn to Bates 30915 in Exhibit 1785. 12 A. Okay. 13 Q. Tell me when you're there. 14 A. I'm there. 15 Q. This is a spread for AGH, correct? 16 A. Correct. 17 Q. At the top of the document, about four lines from the top, there is listed auditors, Coopers & Lybrand. Do you see that? 19 A. Yes, I do. 10 Q. Does that refresh your memory as to the AHERF system's external auditors were in that time frame? 20 A. Yes, I dos. 21 A. Rim there. 22 A. Yes, I dos. 23 Coby and additions were in that time frame? 24 A. Yes, it does.	ľ	_				•
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Page 273 1 A. No, I don't remember. 2 Q. Do you recall the term unqualified opinion? 3 MR. SMITH: Object to foundation. 4 A. No, I don't. 5 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 7 A. No, I don't. 8 Q. I want to show you a document to maybe refresh your memory. 10 A. Okay. 11 Q. Turn to Bates 30915 in Exhibit 1785. 12 A. Okay. 13 Q. Tell me when you're there. 14 A. I'm there. 15 Q. This is a spread for AGH, correct? 16 A. Correct. 17 Q. At the top of the document, about four lines from the top, there is listed auditors, coppers & Lybrand. Do you see that? 19 Coopers & Lybrand. Do you see that? 20 A. Yes, I doe. 21 Q. Does that refresh your memory as to the AHERF system's external auditors were in that time frame? 22 A. Yes, it does. Page 273 1 than just somebody pulling something off a spread sheet. 2 You mentioned earlier today a term called GAAP or G-A-A-P? 3 Q. You mentioned earlier today a term called GAAP or G-A-A-P? 4 Or G-A-A-P? 5 A. Um-hum. 6 Q. Do you recall that? 7 A. Yes. 9 Did you have any understanding as to what the auditors' responsibilities were regarding compliance with GAAP principles? MR. SMITH: Objection. 10 No., I don't remember. 11 Man just somebody pulling something off a spread sheet. 12 Or G-A-A-P? 13 Um-hum. 14 O. Doyou recall that? 15 M. Ven. MI don't remember. 16 Q. Doyou recall that? 17 MR. SMITH: Objection. 18 Ven. I will be auditors had discovered what they considered to be GAAP violations in the information that AHERF management had provided to them, would you have wanted to know that? 19 MR. SMITH: Objection. 20 A. Yes. 21 Q. Why is that? 22 A. Because, again, it goes back to my remembrance of audited statements and prizing them above draft. The benefit of the audit statements is	24		financial statement?		Α.	
1 A. No, I don't remember. 2 Q. Do you recall the term unqualified opinion? 3 MR. SMITH: Object to foundation. 4 A. No, I don't. 5 Q. Do you have an understanding of who AHERF's auditors were in the 1997 time frame? 7 A. No, I don't. 8 Q. I want to show you a document to maybe refresh your memory. 10 A. Okay. 11 Q. Turn to Bates 30915 in Exhibit 1785. 12 A. Okay. 13 Q. Tell me when you're there. 14 A. I'm there. 15 Q. This is a spread for AGH, correct? 16 A. Correct. 17 Q. At the top of the document, about four lines from the top, there is listed auditors, Coopers & Lybrand. Do you see that? 19 Q. Does that refresh your memory as to the AHERF system's external auditors were in that time frame? 20 A. Yes, I do. 21 Q. Does that refresh your memory as to the AHERF system's external auditors were in that time frame? 24 A. Yes, it does. 2	25		MR. SMITH: Object to foundation.	25		information there meets some standard other
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9	7	Α.	No, I don't.	7	A.	
your memory. A. Okay. Turn to Bates 30915 in Exhibit 1785. A. Okay. Tell me when you're there. A. I'm there. Correct. A. Copers & Lybrand. Do you see that? A. Yes, I do. Does that refresh your memory as to the AHERF system's external auditors were in that time frame? A. Yes, it does. 9 auditors' responsibilities were regarding compliance with GAAP principles? 10 A. No, I don't recall that. 12 A. No, I don't recall that. 13 Q. Now, in the course of your review of audited financial statements, if the auditors had discovered what they considered to be GAAP violations in the information that AHERF management had provided to them, would you have wanted to know that? 18 MR. SMITH: Objection. 19 MR. SMITH: Objection. 10 Now, in the course of your review of audited financial statements, if the auditors had discovered what they considered to be GAAP violations in the information that AHERF management had provided to them, would you have wanted to know that? 19 MR. SMITH: Objection. 10 Now, in the course of your review of audited financial statements, if the auditors had discovered what they considered to be GAAP violations in the information that AHERF management had provided to them, would you have wanted to know that? 19 MR. SMITH: Objection. 10 Now, in the course of your review of audited financial statements, if the auditors had discovered what they considered to be GAAP violations in the information that AHERF management had provided to them, would you have wanted to know that? 20 A. Yes, I do. 21 Q. Does that refresh your memory as to the AHERF and the provided to them, would you have wanted to know that? 22 A. Because, again, it goes back to my remembrance of audited statements and prizing them above draft. The benefit of the audit statements is	1			8	Q.	Did you have any understanding as to what the
10 A. Okay. 11 Q. Turn to Bates 30915 in Exhibit 1785. 12 A. Okay. 13 Q. Tell me when you're there. 14 A. I'm there. 15 Q. This is a spread for AGH, correct? 16 A. Correct. 17 Q. At the top of the document, about four lines from the top, there is listed auditors, 19 Coopers & Lybrand. Do you see that? 20 A. Yes, I do. 21 Q. Does that refresh your memory as to the AHERF system's external auditors were in that time frame? 24 A. Yes, it does. 25 Coopers & Lybrand. Do you see that time frame? 26 A. Yes, it does. 27 Coopers & Lybrand auditors were in that time frame? 28 A. Yes, it does. 29 Compliance with GAAP principles? 40 A. No, I don't recall that. 41 A. No, I don't recall that. 42 A. No, I don't recall that. 43 Q. Now, in the course of your review of audited discovered what they considered to be GAAP violations in the information that AHERF management had provided to them, would you have wanted to know that? 45 PRINCIPLE WITH ARCH SMITH: Objection. 46 PRINCIPLE WITH SMITH: Objection. 47 PRINCIPLE WITH SMITH: Objection. 48 PRINCIPLE WITH SMITH: Objection. 49 PRINCIPLE WITH SMITH: Objection. 40 PRINCIPLE WITH SMITH SMITH: Objection. 40 PRINCIPLE WITH SMITH SMI						auditors' responsibilities were regarding
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14 A. I'm there. 15 Q. This is a spread for AGH, correct? 16 A. Correct. 17 Q. At the top of the document, about four lines 18 from the top, there is listed auditors, 19 Coopers & Lybrand. Do you see that? 20 A. Yes, I do. 21 Q. Does that refresh your memory as to the AHERF 22 system's external auditors were in that time 23 frame? 24 A. Yes, it does. 25 financial statements, if the auditors had 26 discovered what they considered to be GAAP 27 violations in the information that AHERF 28 wanted to know that? 29 MR. SMITH: Objection. 20 A. Yes. 21 Q. Why is that? 22 A. Because, again, it goes back to my remembrance of audited statements and prizing them above draft. The benefit of the audit statements is	1		•			·
15 Q. This is a spread for AGH, correct? 16 A. Correct. 17 Q. At the top of the document, about four lines 18 from the top, there is listed auditors, 19 Coopers & Lybrand. Do you see that? 20 A. Yes, I do. 21 Q. Does that refresh your memory as to the AHERF 22 system's external auditors were in that time 23 frame? 24 A. Yes, it does. 15 discovered what they considered to be GAAP 26 violations in the information that AHERF 27 management had provided to them, would you have 28 wanted to know that? 29 A. Yes. 20 A. Yes. 21 Q. Why is that? 22 A. Because, again, it goes back to my remembrance 23 of audited statements and prizing them above 24 draft. The benefit of the audit statements is		_	•	1	-	·
16 A. Correct. 17 Q. At the top of the document, about four lines 18 from the top, there is listed auditors, 19 Coopers & Lybrand. Do you see that? 20 A. Yes, I do. 21 Q. Does that refresh your memory as to the AHERF 22 system's external auditors were in that time 23 frame? 24 A. Yes, it does. 16 violations in the information that AHERF 17 management had provided to them, would you have wanted to know that? 19 MR. SMITH: Objection. 20 A. Yes. 21 Q. Why is that? 22 A. Because, again, it goes back to my remembrance of audited statements and prizing them above draft. The benefit of the audit statements is	1			1		
17 Q. At the top of the document, about four lines 18 from the top, there is listed auditors, 19 Coopers & Lybrand. Do you see that? 20 A. Yes, I do. 21 Q. Does that refresh your memory as to the AHERF 22 system's external auditors were in that time 23 frame? 24 A. Yes, it does. 27 management had provided to them, would you have wanted to know that? 28 MR. SMITH: Objection. 29 A. Yes. 21 Q. Why is that? 22 A. Because, again, it goes back to my remembrance of audited statements and prizing them above draft. The benefit of the audit statements is		-	•	l l		•
from the top, there is listed auditors, Coopers & Lybrand. Do you see that? A. Yes, I do. Does that refresh your memory as to the AHERF system's external auditors were in that time frame? A. Yes, it does. Is wanted to know that? MR. SMITH: Objection. A. Yes. Under the top, there is listed auditors, and the time show that? MR. SMITH: Objection. A. Yes. A. Because, again, it goes back to my remembrance of audited statements and prizing them above draft. The benefit of the audit statements is						
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20 A. Yes, I do. 21 Q. Does that refresh your memory as to the AHERF 22 system's external auditors were in that time 23 frame? 24 A. Yes, it does. 20 A. Yes. 21 Q. Why is that? 22 A. Because, again, it goes back to my remembrance 23 of audited statements and prizing them above 24 draft. The benefit of the audit statements is	•			1		
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22 system's external auditors were in that time 23 frame? 24 A. Yes, it does. 22 A. Because, again, it goes back to my remembrance 23 of audited statements and prizing them above 24 draft. The benefit of the audit statements is	170	Α.		1		
23 frame? 23 of audited statements and prizing them above 24 A. Yes, it does. 24 draft. The benefit of the audit statements is				121	_	·
24 A. Yes, it does. 24 draft. The benefit of the audit statements is	21			าา		Recause again it goes back to my remembrance
21 7t. 165/ te does.	21 22		system's external auditors were in that time		A.	
25 Q. Did you have any personal interaction with any 25 that I get all the verblage that comes in the	21 22 23	Q.	system's external auditors were in that time frame?	23	A.	of audited statements and prizing them above
	21 22 23 24	Q.	system's external auditors were in that time frame? Yes, it does.	23 24	A.	of audited statements and prizing them above draft. The benefit of the audit statements is

1 audited statement to read above just generally 2 a spread sheet that comes when it's a draft. 3 Q. And what comfort, if any, did that type of 4 verbiage give you? 4 wistements in the client's financial data presented by management, would you have wanted to know that? 1 MR. SMITH: Objection. 4 Yes. 2 And the stame reasons as you responded to with 1 misstatements in the quarterly statements in the quarterly statements in the quarterly statements in the quarterly statements on the quarterly statements on the quarterly statements on the quarterly statements on the information contain in the quarterly statements on the financial data presented by managements of their audited statement to read above just generally 2 experiencing a situation where an auditor came forward with the report that there were intentional, material or fraudulent misstatements in the client's financials? A. No, I don't recall. 4 No, I don't recall. 5 A. No, I don't recall. 6 Q. And do you recall in that instance, if that were intentional, material or fraudulent misstatements in the client's financials? No, I don't recall. 6 Q. And do you recall in that instance, if that would you have done? MR. SMITH: Objection. 9 A. I would have to speculate what I would have done at that time. 9 Would I be safe in assuming that you would have at least raised it with the relationship manager? MR. SMITH: Objection. 14 A. Yes. 15 A. Yes. 16 Q. Would it be fair to say that material, intentional or fraudulent misstatements in the date of reliability of the information contain in the quarterly statements that were not audited?
audited statement to read above just generally a spread sheet that comes when it's a draft. Q. And what comfort, if any, did that type of verbiage give you? MR. SMITH: Objection. A. A comparison kind of a feel that somebody had reviewed this and audited against some standard, again, other than just somebody's personal spread sheet that they were giving me. Q. And the standards you were referring to were the GAAP principles we talked about? MR. SMITH: Objection. A. Yes, that's as I remember it. Q. If the auditors, during the course of their audit work at AHERF, had discovered what they believed to be material misstatements in the financial data presented by management, would you have wanted to know that? MR. SMITH: Objection.
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verbiage give you? MR. SMITH: Objection. A. A comparison kind of a feel that somebody had reviewed this and audited against some standard, again, other than just somebody's personal spread sheet that they were giving me. A. Yes, that's as I remember it. MR. SMITH: Objection. A. Yes, that's as I remember it. Delieved to be material misstatements in the course of their audit work at AHERF, had discovered what they believed to be material misstatements in the financial data presented by management, would you have wanted to know that? MR. SMITH: Objection. A. Yes. MR. SMITH: Objection. A. Yes. MR. SMITH: Objection. A. Would I be safe in assuming that you would have at least raised it with the relationship manager? MR. SMITH: Objection.
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standard, again, other than just somebody's personal spread sheet that they were giving me. Q. And the standards you were referring to were the GAAP principles we talked about? MR. SMITH: Objection.
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10 Q. And the standards you were referring to were 11 the GAAP principles we talked about? 12 MR. SMITH: Objection. 13 A. Yes, that's as I remember it. 14 Q. If the auditors, during the course of their 15 audit work at AHERF, had discovered what they 16 believed to be material misstatements in the 17 financial data presented by management, would 18 you have wanted to know that? 19 MR. SMITH: Objection. 10 done at that time. 11 Q. Would I be safe in assuming that you would have at least raised it with the relationship manager? 14 MR. SMITH: Objection. 15 A. Yes. 16 Q. Would it be fair to say that material, intentional or fraudulent misstatements in audited financials would cause you to question the accuracy and lack of reliability of the information contain in the quarterly statements
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18 you have wanted to know that? 19 MR. SMITH: Objection. 19 MR. SMITH: Objection. 20 A. Yes. 18 audited financials would cause you to question 19 the accuracy and lack of reliability of the 20 information contain in the quarterly statements
19 MR. SMITH: Objection. 19 the accuracy and lack of reliability of the 20 A. Yes. 20 information contain in the quarterly statements
20 A. Yes. 20 information contain in the quarterly statements
120 71 165
24 O Fay the same vegging as you responded to with 21 that were not audited?
121 Q. For the same reasons as you responded to than 1 = 1
respect to GAAP violations, I presume? 22 A. Definitely.
23 A. Yes, because at that point, then they'd be no 23 MR. SMITH: Objection.
24 better than draft. 24 Q. And, again, that would be something that you'd
25 Q. Would your answer be the same if the auditors 25 like to know as a credit analyst for PNC?
Page 275 Page 275
1 had discovered what they determined to be 1 A. Yes.
2 fraudulent misstatements in the financial data 2 MR. SMITH: Objection.
presented by AHERF's management? 3 Q. If you could turn, please, to page 30890 in
4 MR. SMITH: Objection. 4 Exhibit 1785. Again, this is part of your
5 A. Yes. Definitely. 5 credit memo.
6 Q. Would the existence of material, fraudulent or 6 A. Okay.
7 intentional misstatements affect in any way 7 Q. The final section on this page is titled DVOG.
8 your view of the success of the enterprise as 8 Do you see that?
9 depicted in those financial statements? 9 A. Yes.
10 MR. SMITH: Objection. 10 Q. And I'm not going to read the entire paragraph
11 A. Yes. It would mean I couldn't trust the 11 but do you see it notes the revenues for DVOG
financial statements. 12 were \$1.2 billion?
13 O. And that would be important for you to know as 13 A. Yes, I do.
14 a reviewer of those statements, correct? 14 Q. Do you think you had that number in mind le
15 A. Because my entire analysis is built off those 15 me start that over.
16 statements. 16 Would you have had that number in
17 O. And those statements being the audit financial 17 mind if you did see the quarterly losses
18 statements? 18 reported in the other financial statements at
19 A. The audited 19 9-30-97 you looked at earlier today?
20 MR. SMITH: Objection. I'm sorry. 20 A. Okay.
21 Go ahead. 21 MR. SMITH: Objection.
22 A. Yes, the audit financial statements. 22 A. I guess I need a little bit more clarity. When
23 MR. SMITH: Note my objection to the 23 you say I would have had that number in mind
The second secon
The second secon
25 Q. During your tenure at PNC, do you recall ever 25 mind, that revenue figure in mind when

	Page 298	
1	COMMONWEALTH OF PENNSYLVANIA) CERTIFICATE	
2	COUNTY OF ALLEGHENY) SS:	
3	I, JoAnn M. Brown, RMR, CRR, a Court Reporter	
4	and Notary Public in and for the Commonwealth of	
5	Pennsylvania, do hereby certify that the witness,	
6	BRIAN W. CAMP, was by me first duly sworn to testify	
7	to the truth; that the foregoing deposition was taken	
8	at the time and place stated herein; and that the	
9	said deposition was recorded stenographically by me	
10	and then reduced to printing under my direction, and	
11	constitutes a true record of the testimony given by	
12	said witness.	
13	I further certify that the inspection, reading	
14	and signing of said deposition were NOT waived by	
15	counsel for the respective parties and by the	
16	witness.	
17	I further certify that I am not a relative or	
18	employee of any of the parties, or a relative or	
19	employee of either counsel, and that I am in no way	
20	interested directly or indirectly in this action.	
	IN WITNESS WHEREOF, I have hereunto set my hand	
21	and affixed my seal of office this 2nd day of July,	
22		
23	2004.	
24	Notary Public	
25	Notally Public	
25	Notary Public	
1	COMMONWEALTH OF PENNSYLVANIA) E R R A T A	
	COMMONWEALTH OF PENNSYLVANIA) E R R A T A COUNTY OF ALLEGHENY) S H E E T	
1	COMMONWEALTH OF PENNSYLVANIA) E R R A T A COUNTY OF ALLEGHENY) S H E E T I, BRIAN W. CAMP, have read the foregoing pages	
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Page 1

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF

UNSECURED CREDITORS OF

ALLEGHENY HEALTH, EDUCATION &

RESEARCH FOUNDATION, Civil Action

Plaintiff, No. 00-684

vs.

PRICEWATERHOUSECOOPERS, L.L.P.,
Defendant.

Videotape deposition of DANIEL CANCELMI, called for examination under the statute, taken before me, Jaci R. Traver, RPR, CRR, and Notary Public in and for the State of Ohio, at the offices of Jones Day, 500 Grant Street, Pittsburgh, Pennsylvania, on Thursday, the 23rd day of January 2003 at 9:00 a.m.

VOLUME 1

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Page 112 Page 110 has conducted various investigations into AHERF that? and the issue of its financial statements, 2 Yes. financial reporting? 3 There were other and related 3 A. Yes. 4 lawsuits arising out of the failure of AHERF, Q. Have you been interviewed by anyone other than this lawsuit. You knew that, too? 5 at the Securities Exchange Commission? 6 A. Yes. 6 7 Were you a participant in a Q. 7 A. Yes. deposition in one or more of those proceedings? 8 8 Q. How many times? Q A. I was deposed in the creditor's 9 A. I don't know. Quite a few. case that you mentioned for two days. 10 10 Q. In terms of separate occasions of MR. TYCKO: Just for the record, one or more days, can you tell us how many 11 11 12 that was part of the -- what were then the 12 times? consolidated cases, so there were a lot of A. I couldn't. I don't remember the 13 14 exact number of times. I know I was -- there 14 parties involved in that deposition. was a two-day deposition, but then I met with 15 Q. Right. And it was two-day them a number of different times before that. 16 proceeding? 16 Q. You gave a deposition to the SEC? 17 A. Yes. 17 18 Q. So you testified two days on the A. Yes. 18 record in that proceeding, two days on the Q. They swore you in and put you on 19 20 record with the SEC? 20 the record and asked you questions, right? 21 A. And then there was one other A. Yes. 21 22 deposition I gave related to -- it was an Was there any other party there? 22 23 Allegheny related case, Philadelphia Healthcare Was somebody there from Coopers, for example? 23 24 Trust. That might not be the right entity, but. A. No. 24 25 there was a lawsuit between that organization Was somebody there from AHERF? 25 Page 113 Page 111 and some of the Graduate entities. I don't 1 A. No. 2 know if Allegheny was a party to the suit or Q. All right. In addition to being on 2 3 not. the record for two days, they also interviewed you off the record; is that right? 4 Q. How many days did you testify in 5 that proceeding? 5 A. Yes. A. One. 6 Q. Have they made any -- have they Q. Other than the two days with the 7 filed any form of charges against you, the SEC? 7 SEC, the two days in these consolidated cases, A. No. 8 and the one day in this Philadelphia case, have Q. Have they made any sort of deals 9 you given any other sworn testimony in with you or arrangements with you about 10 11 connection with the issues relating to AHERF prosecution or immunity from prosecution? 11 12 and its financial statements, including its MR. RYAN: Objection. 12 13 financial statements in 1996 and 1997? 13 14 14 MR. WHITNEY: What's the objection? A. No. 15 Q. While you were at AHERF, did you 15 MR. RYAN: I think it's vague. Any 16 receive bonuses? deals or arrangements. I'm not sure --16 A. I was eligible for the bonus 17 17 Q. Have they made any kind of 18 program that Allegheny had for probably agreements or arrangements with you at all, the 18 literally hundreds of people. It was a bonus 19 19 SEC? program that covered certain individuals in the 20 20 No. Α. organization at certain levels that started, 21 Q. In addition to the two days that 21 generally speaking, I think at maybe the 22 you spent on the record with the SEC, there was 22 23 also a lawsuit between my client and the former 23 director or senior director level on up, vice 24 president, senior vice president. 24 management of AHERF, or certain members of the MR. TYCKO: Can we go off the 25 former management of AHERF. Were you aware of 25

	1	
Page 114		Page 116
1 record for one second.	l safety and the more qualitative criteria that	
2 VIDEO TECHNICIAN: Off the record.	2 had to be met and not necessarily financial	
3 (Discussion held off the record.)	3 related.	
4 VIDEO TECHNICIAN: On the record.	4 Q. Well, when you say that Coopers &	
5 Q. Talking about the bonus system	5 Lybrand or PWC let me hold that point for a	
6 while you were at AHERF. Were the bonuses tied	6 second. You fall victim to the same thing I	
7 to any kind of achievement objectives or the	7 do. When you talk about PWC, you mean its	
8 achievement of any kind of objectives?	8 legacy firm, Coopers & Lybrand, right?	
9 A. Yes.	9 A. Sorry, yes.	
10 Q. Was profitability one of those	10 Q. But it's okay, as long as it's okay	
11 objectives?	11 with everybody else that when we talk about	
12 A. Yes, it was.	12 PWC, we're referring to it by its present name.	
13 Q. I have heard it said in some place,	13 But it was not merged at year end 1996 or at	
14 it might have been in a deposition, that AHERF	14 year end 1997, as you recall, right?	
15 had internal and external budgets. Budgets	15 A. Yes, that's correct.	
16 that were given to the trustees versus budgets	16 Q. Now, when you say that PFC when 17 you say that PWC was engaged to do special	
17 that were internal budgets.		
Do you know anything about that?		
19 A. I don't remember that, but I didn't	. <u> </u>	
20 go to board meetings.	20 annual basis? 21 A. Yes.	
21 Q. I didn't ask you if you went to	22 Q. All right. And when you were at	
22 board meetings. I'm asking you whether or not	23 AHERF in year end 1996 and year end 1997, was	
23 you were aware of the notion that there were	24 Coopers & Lybrand presenting or performing such	
 24 separate sets of budgets at AHERF; the internal 25 budgets that the employees and management 	25 an examination of the employee compensation	
Page 115	•	Page 117
l worked off of, and the budgets they gave the	1 system?	
2 board?	2 A. Yes.	
3 A. I don't remember that.	3 Q. This would be something that they	
4 Q. When you were at Coopers & Lybrand	4 would report to the board regarding	
5 auditing AHERF at year end 1994, was AHERF's	5 management's achievement of objectives relating 6 to the incentive compensation system?	
6 incentive compensation system or incentive		
7 compensation program a subject of audit	7 MR. RYAN: Objection. 8 A. Yes. It was I'm not sure it	
8 inquiry?	T 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
9 MR. RYAN: Objection. 10 Q. If you recall.	9 went to the board. It went to, I believe it 10 went to the compensation committee, which is,	
10 Q. If you recall.		
	11 you know, a subset I guess of the board of	
11 A. Yes.	11 you know, a subset I guess of the board of	
 11 A. Yes. 12 Q. All right. Is this typically an 	11 you know, a subset I guess of the board of 12 Allegheny. But there was a letter that Coopers	
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Page 130 Page 132 1 management, I believe, engaged Coopers & vou recall? A. Just -- I don't remember 2 Lybrand to come in and do sort of, I'm not sure specifically. Just accounts receivable type 3 what the right term would be, but some type of 4 special review or audit of some of the information. Q. What about -- do you remember who 5 potential problems related to the accounts 5 it was that was doing the asking? 6 receivable area. I don't exactly remember the 6 A. There was probably a number of 7 dates of that, but sometime in '96 or '97. different people. It wasn't just one person. Q. With respect to the year end 1996 8 8 9 audit, do you know whether or not Coopers & I think they had -- Coopers would have, you 10 Lybrand was attaching any special focus or 10 know, a number of different individuals looking 11 significance on the account area of accounts 11 at accounts receivables, so you could have a number of different people asking for data. 12 receivable in connection with the AHERF audit? 12 13 I think related to that special A. I believe so, because, again, the 14 review, they sent over like a request for 14 special review that I mentioned, that may have information from us of data that we would have 15 been happening or occurring right before the 15 16 end of '96 or right after. 16 to pull together. 17 And then I think they had people And then it seemed like during the 17 18 other than auditors, they had this healthcare 18 '96 audit, they were performing it seemed like 19 consulting group. They had some of those 19 additional work than they would have in a 20 normal audit due to some of the issues that had 20 people involved and went over and sat down and 21 been occurring. 21 reviewed data in the billing department area And there would be, you know, if 22 and I guess spoke with people over there also. 22 O. Do you recall a conversation with 23 you look at the management letter that would 23 24 anybody from Coopers & Lybrand at or around the 24 have been issued by Coopers, there was, you 25 time of the 1996 audit in which they told you 25 know, certainly a rather, you know, lengthy Page 131 Page 133 specifically, we are really focused this year conversation or discussion in '96 in the on this accounts receivable? management letter about some of the issues that A. I can't remember a specific 3 were challenging the Allegheny organization in 4 conversation. the patient billing area. Q. Was your impression that they were Q. You say if one looks in the doing additional work was simply that it seemed management letter of 1996, one will find like there was more activity from Coopers in commentary about Coopers & Lybrand that the area of accounts receivable? 8 challenge the Allegheny organization? 8 Q A. Yes. A. I'm not saying challenging, just 10 Q. More requests for information? 10 pointing out what some of their findings were A. Yes. 11 and some of the issues challenging or being 11 12 Q. All right. But nobody from Coopers 12 presented to the Allegheny organization. 13 was specifically telling you, we're troubled Q. All right. Now, I want to go back 13 14 about accounts receivable, or we're locked in 14 to something you said in your last lengthy 15 on accounts receivable, anything like that? 15 answer, and that was it seemed like they were A. I mean I think it was a given that 16 16 doing additional work, more additional work 17 given that, you know, that there had been than they would have done in a normal audit. 17 18 problems in that area that Allegheny management 18 This is in 1996? 19 had identified and had brought to, you know, 19 A. Yes, I believe so. 20 Coopers' attention and had asked them to come Q. Okay. On what basis do you make 20 21 in and do some additional work or review 21 that statement? 22 procedures, whatever you want to call them. A. I thought that they were asking for 22 So I mean certainly, you know, took 23 23 some more reports or data than they seemed to 24 on maybe more heightened sense of awareness 24 have asked for in the past. 25 than it would have if there hadn't been Q. What sorts of reports and data, if 25

Page 134			Page 136
-	1	being drawn by Coopers on accounts receivable	
1			
	3	A. I would	
	4	MR. RYAN: Objection.	
	5	A. I would be involved. Whether I	
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	18	Q. You talked about the fact that	
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	23	would go up the line at ATIERT. Teople would	
7 105			Page 13
Page 135			Page 13
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Ì			
	6	A. Yes.	
	7	Q. Now, when you were over at Coopers	
	8	& Lybrand, is there somebody over at Coopers &	
	9		
		column or that item that's doing essentially	
	11	the same thing, i.e., looking at the data that	
	12	is being relied on, looking at the numbers, and	
	13	making independent estimates?	
	14	MR. RYAN: Objection.	
	1	O Cina IIm a 4.1. in a male - 4:	
	15	Q. Since I'm catching an objection, my	
	16	question is a broad one.	
	16 17	question is a broad one. Based on your experience at Coopers	
	16 17 18	question is a broad one. Based on your experience at Coopers & Lybrand, how did you guys go about auditing	
	16 17 18 19	question is a broad one. Based on your experience at Coopers Lybrand, how did you guys go about auditing bad debt reserves at AHERF?	
	16 17 18	question is a broad one. Based on your experience at Coopers Lybrand, how did you guys go about auditing bad debt reserves at AHERF? A. I mean the firm has predefined	
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	16 17 18 19 20 21 22	question is a broad one. Based on your experience at Coopers & Lybrand, how did you guys go about auditing bad debt reserves at AHERF? A. I mean the firm has predefined audit steps that are established at the start of the auditing engagement that they set forth and say, these are the steps or audit tests or	
	16 17 18 19 20 21 22 23	question is a broad one. Based on your experience at Coopers Lybrand, how did you guys go about auditing bad debt reserves at AHERF? A. I mean the firm has predefined audit steps that are established at the start of the auditing engagement that they set forth and say, these are the steps or audit tests or reviews that we will conduct to get comfortable	
	Page 135	Page 135 Page 135 Page 135	A. I would 4 MR. RYAN: Objection. 5 A. I would be involved. Whether I 6 performed the detailed nitty gritty review of 7 every single work paper and schedule that 8 supported those, I can't say that. I would 9 have to go look at the work papers and see 10 which ones I reviewed and maybe had another 11 manager review them. 12 But they would have presumably kept 13 me apprised of what the issues were. And if 14 there was any problems, it would have been, you 15 know, brought to my attention and they would 16 have been, you know, obviously escalated to the 17 partner, if necessary. 18 Q. You talked about the fact that 19 Robin Schaffer would put together estimates 20 using matrixes of the kind and percentages that 21 we talked about earlier. Do you recall that 22 testimony? 23 A. Yes. 24 Q. And that this is an evaluation that 25 would go up the line at AHERF. People would Page 135 1 look at the accounts receivable and the 2 estimates and they would look at the data and 3 sort of second guess, if you will, or add their 4 thoughts or concepts or judgments as it goes up 5 the line, right? 6 A. Yes. 7 Q. Now, when you were over at Coopers 8 & Lybrand, is there somebody over at Coopers & Lybrand in connection with the auditing of that 10 column or that item that's doing essentially 11 the same thing, i.e., looking at the data that 12 is being relied on, looking at the data that

	Page 170		Page 172
earmarked accounts at the Graduate, created at the Graduate before they were sold to AHERF, right? A. Yes. Q. Okay. When was the \$25,265,000 of additional bad debt reserves transferred from the Graduate to the DVOG hospitals? A. I think in May and June. Q. Of 1997? A. Of '97. Q. Whose idea was it to transfer those reserves? A. How those reserves were transferred is after our department would have prepared the financial statements for those months, those financial statements would have been distributed to management for their review. And that would have been like Chuck Morrison and David McConnell, et cetera. And after they had reviewed those financial statements, they made the determination that, indeed, we needed to transfer additional reserves for the DVOG bad debt reserves, and that the contractual allowances on the DVOG hospitals for those		1 in the decision at that specific point in time. 2 I couldn't say for sure. 3 Q. Do you know whether or not they 4 came to know about this transfer? 5 A. Yes, I believe they did know about 6 it. 7 Q. How do you know that? 8 A. Well, there was — we provided 9 various documentation to Coopers & Lybrand that 10 would have these transfers listed, these items 11 listed on there. And then there would have 12 been either through conversations directly with 13 them, documentation provided to them, or 14 documentation made available to them, that, you 15 know, these transactions had been recorded. 16 Q. What documentation did you provide 17 to Coopers & Lybrand that would have had these 18 transfers listed? 19 A. And I may not have provided the 20 documentation to them directly, but maybe it 21 was Robin or people in her department, as far 22 as the accounts receivable area. There is a 23 number of different audit schedules that they 24 request throughout the course of an audit, such 25 as the activity in the hospitals, bad debt	
particular months needed to be adjusted. Q. Okay. 1997, in March and April, in each of those two months \$25,000 \$25 million of Graduate reserves are transferred to the DVOG hospitals and used to augment bad debt. And then at some point a determination is made that you need more; is that right? A. Yes. Q. And the decision is made to transfer in May and June, in increments in both May and June of 1997, \$21 million more of Graduate reserves, in this case created through or created as contingent liability reserves. The decision is made to transfer them over, much like you would transfer the first 50, right? MR. RYAN: Objection. A. Yes. Q. Now, you say that the decision was made by people like Morrison and McConnell; is that right? A. Yes. Q. Do you know whether or not Coopers & Lybrand was involved in the decision?	Page 171	reserve accounts. And, you know, there's some rolls, bad debt roll-forward schedules that I think they were referred to that had many, at least 70 some million of these transfers identified on there. There was, I believe there was other schedules that identified some of the components of accounts receivable. And there would have been a listing. And I believe Coopers got, I think it was their practice to ask Robin for it and to and for her to provide it to Coopers. It listed all the various components. I think there may have been a line item or two that said something, Graduate reserves, or reserves for bad debt Graduate, or something to that effect that had like the 50 listed and then the So either between, you know, conversations with them or documentation provided to them or information made available to them, my understanding is that they were aware of it. All the transactions were recorded in the general ledger. And, you know,	Page I

		Page 174		Page 176
be	lieve, appropriately in journal entry books		1 A. Yes.	
wi	th, you know, documentation backing up	1	2 MR. RYAN: Objection.	
	natever the nature of the journal entry was.		3 MR. WHITNEY: The reason?	
** 1	Q. The \$28.3 million that's used to	-	4 MR. RYAN: In 1997 there were no	
rec	duce contractual allowances, whose idea was		5 audited DVOG financial statements.	
	to do that?		6 Q. It would be it would be on the	
it	A. I don't know if there was like one		7 AHERF, it would be charged as a \$50 million	
	rson's particular idea. My recollection was		8 expense in my hypothetical on the AHERF	
	e additional bad debt reserves at 21 million		9 financial statements, right?	
		ŀ	10 A. Yes.	
	21 million and then the 28, I believe they ere recorded sort of around the same time.	ļ	11 Q. But in the consolidating schedules	
			12 that were attached to the 1997 financial	
	And the bad debt reserves, there		13 statements, it would show as an expense to	
wa	as we were producing schedules, if not	Ì	14 DVOG, right?	
m	onthly, pretty much monthly that identified		15 A. Yes.	
	e bad debt reserves shortfalls each month,	Ì	16 Q. Thank you. What we're talking	
) W	hich were, I believe, provided to like Chuck		17 about here then is a methodology that was	
	forrison and David McConnell, which listed how		18 employed to increase bad debt without having to	
	uch the estimated shortfall was each month.	1	19 take an expense on DVOG's financial statement,	
)	So based on them looking at that		20 right?	
	rpe of information, in addition to the		21 MR. RYAN: Objection.	
l fin	nancial statements that were prepared each		22 A. Yes.	
2 m	onth, that, you know, there needed to be	Ì	23 MR. WHITNEY: What's the objection	
3 ac	ljustments made to the bad debt reserves ecause there didn't seem to be enough in the	ļ	24 there?	
4 be 5 re	eserves, unless there was additional reserves		25 MR. RYAN: The same, DVOG financial	
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	ecorded.	Tage 173	1 statement objection.	Page 1
2	Q. How normally would one augment the	Tage 173	 Q. All right. You're talking about a 	rage 1
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25 Morrison and David McConnell for their review 25 documents were made available to Coopers,		The state of the s	
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		Page 182		Page 184
1 right 2 3 A	MR. RYAN: Objection.		of the reserves would have been discussed. I can't say every single one, but the reserves, the bad debt reserves were certainly, like	
ļ	MR. WHITNEY: I'm sorry, what's the		4 we've talked about earlier today, I mean it was	
objec	etion? MR. RYAN: The witness said they		5 certainly an area of concern of the 6 organization and had been for a number of	
	I have been provided to Coopers, not that		7 years.	
	nows that they, in fact, were.		8 And based on the various dialogues	
)	MR. WHITNEY: Let me check that,		9 or dialog or conversations that occurred over 10 numerous period of time, you know, there's	
	use I didn't mean to soft pedal that one. 's kind of important. I agree with you.		10 numerous period of time, you know, there's 11 certainly the accounts receivable area was one	
	lways trying to be fair.		12 that got a lot of attention.	
	2. You said there would have been		13 Q. All right. You have a somewhat	
	mation either provided to them or		14 unique perspective in this case because you	
	ersations or information made available to that indicate that the reserves had been		15 both audited AHERF for Coopers and you were16 with AHERF dealing with and providing	
	from the reserves had been former.		17 information to Coopers in their audits.	
8	Son of a gun, I'm right and		From those perspectives, what	
	Ryan is wrong this time. That's not going		19 happens in 1997 is apart from the \$28 million	
	appen a lot. That's what you said and		20 that's going to reduce contractual allowances,21 is during the course of a three-month period of	
! 1 that's !2	s the segue to my next question. Are you saying that it's in these		21 is during the course of a three-month period of 22 time or four-month period of time, a total of	
	rds when Coopers was auditing the company,		23 approximately \$71 million that was Graduate	
	if they didn't see it, that's tough; or are		24 reserves is going through intercompany	
25 you	saying they were in records you know they		25 transfers to AHERF bad debt, right? I'm	
		Page 183	•	Page 18
l saw,	or what?	Page 183	l leaving out all of the accounting transactions,	Page 18
2	MR. RYAN: Objection. Compound and	Page 183	2 but that is the essence of what's happening,	Page 18
2 3 leadi	MR. RYAN: Objection. Compound and ing.	Page 183	2 but that is the essence of what's happening,3 right?	Page 18
2 3 leadi 4	MR. RYAN: Objection. Compound and ing. A. What I'm saying is that	Page 183	2 but that is the essence of what's happening,	Page 1
2 3 leadi 4	MR. RYAN: Objection. Compound and ing.	Page 183	 2 but that is the essence of what's happening, 3 right? 4 A. It's going to DVOG bad debt 5 reserves. 6 Q. And the bad debt reserve at DVOG is 	Page 1
2 leadi 4 5 gave 7	MR. RYAN: Objection. Compound and ing. A. What I'm saying is that MR. WHITNEY: Can't be leading. I thim two alternatives. A. What I'm saying is there would	Page 183	 2 but that is the essence of what's happening, 3 right? 4 A. It's going to DVOG bad debt 5 reserves. 6 Q. And the bad debt reserve at DVOG is 7 being enhanced by the amount of \$71 million 	Page 1
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2 leadi 4 5 gave 7 8 my 1	MR. RYAN: Objection. Compound and ing. A. What I'm saying is that MR. WHITNEY: Can't be leading. I se him two alternatives. A. What I'm saying is there would recollection that there would have been sedules provided that would show various	Page 183	 but that is the essence of what's happening, right? A. It's going to DVOG bad debt reserves. Q. And the bad debt reserve at DVOG is being enhanced by the amount of \$71 million without any charge to the income statement, right? 	Page 1
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1	Page 186	Page 188
O. The \$71 million.	1 an auditor you would look at those financial	
MR. RYAN: Objection.	2 statement numbers.	
A. No, I don't believe so.	3 Q. But is it important to know, in the	
Q. And the reason is because it is	4 context of the audit, is it important to know	
reflected in records that they would certainly	5 what reserves were taken and where are they	
be looking at as part of the audit?	6 now?	
MR. RYAN: Objection.	7 A. Yeah, I think that would be a fair	
A. Yes.	8 characterization.	
Q. And do I get it, one of them is	9 Q. So that if one was looking at when	
withdraw that.	10 reserves were created in the Graduate before it	
Tell me again, what are the records	11 was acquired by AHERF and where are they now,	
that they would certainly have been looking at	12 the books and records of the company would	
as part of the audit that would have revealed	13 clearly show that \$71 million of them is gone	
this?	14 at the end of 1997, right?	
MR. RYAN: Objection.	15 MR. RYAN: Objection.	
A. There would be, and I couldn't list	16 A. The books and records would clearly	
every single one of them, but whether it's an	17 show that the 99, whatever the numbers, was	
analysis of the bad debt reserve accounts,	18 gone. 19 Q. The 71 million and the 28 million,	
whether it could be an analysis of bad debt		
reserve accounts. It could be an analysis of	20 right? 21 A. Yes.	
the bad debt expense on the income statement.	22 Q. To your recollection, would AHERF's	
It could be an analysis of trying	23 general ledgers and other accounting	
to roll-forward bad debt reserve balances on	24 information show that the reserves that were	
the balance sheet from the prior year to the	25 used to transfer to be transferred over to	
current year. And factoring into that		
		D 100
	Page 187	Page 189
roll-forward the expense that was on the income	1 DVOG for the purposes stated were no longer on	
statement.	2 Graduate's side of the balance sheet at year	
It could be looking at journal	3 end 1997?	
entries, bad debt journal entries, either bad	4 A. Yes. 5 Q. Back to the first 50 million. You	
debt expense journal entries or bad debt	6 indicated that the decision was not made by	
reserve journal entries. It could be other	7 you. And before I forget to ask you the	
documents provided. There could be a whole	8 question, whoever decided to transfer the	
host of documents you could look at, or would	9 \$21 million in Graduate reserves over to DVOG	
have looked at.	10 in June or May and June of 1997, whoever	
Q. One set that you might have left off, in connection with the 1997 audit, would	11 that was, it was not you?	
	12 A. No. No. The decision would have	
•	13 been made by Morrison and McConnell.	
reserves? A. Yes.	14 Q. What about the \$28 million?	
	15 A. The same.	
111 1 1	16 Q. Whether the decision was made by	
	17 you, were any of these four transactions, I say	
have been in AHERF's financial statement,	18 four, the 25 in March, the 25 in April, and the	
consolidated financial statements.	19 21 and 28 in May and June, were any of these	
Q. Are there accounting implications	20 your idea?	
specific to the creation of reserves?	A. I wouldn't characterize it as that,	
	22 my idea. I mean these were these were	
	23 transactions. You got to keep in mind we're	
	24 talking about the accounts receivable area that	
year they go into your financial statements, as	25 had been getting a lot of attention up and down	
A. Yeah. I mean, well, just the mere fact that you have an acquisition of an entity or a group of hospitals or entities, the first	23 transactions. You got to keep in mind we're	

48 (Pages 186 to 189)

	Page 190		Page 192
the organization, inside the organization,	-	1 you're supposed to get rid of that reserve in	
externally from our auditors.		2 some fashion consistent with the fact that you	
And we were providing, as I'm sure		3 don't need it anymore, right?	
we'll go through, numerous documents that I was		4 A. Yes.	
generating, advising people of what some of the		5 Q. But that does not typically include	
accounts receivable reserve issues were on a		6 transforming it into a cushion to use on an	
monthly basis, and sending that information to		7 as-needed basis in the organization to address	
my supervisors for them to determine what they	ļ	8 unrelated accounting issues without having to	
want to do and what needs to be done and I mean		9 go to the income statement, right?	
to evaluate the numbers.		10 A. Yes.	
Q. Was the concept of using reserves		Q. Now, that the concept of cushion	
as a vehicle to address accounting items in the		12 accounting, as I'm using it, was not a new one	
financial statement without the need to record		13 at AHERF, right?	
expense, was that a new concept to AHERF in		14 A. As far as cushion accounting, when	
1997, in your experience?	ļ	15 I'm saying this was a new concept, as far as 16 transferring reserves from entities outside of	
A. Yeah, that's fair.	1	17 the AHERF system into the AHERF system, that's	
Q. Do you know what the term cushion	ļ	18 really what was new.	
accounting means? A. Yeah, a lot of people refer to	Ì	19 Allegheny, you know, would have had	
and the second s		20 reserves in prior years, when they wouldn't	
]	21 necessarily have been needed before, they may	
referring to. Q. It's the use of reserves I		22 have been used. Whether you call that cushion	
3 understand it, I'm using it to mean the use of		23 accounting or not, I'll leave that for someone	
reserves as essentially slush funds to be used		24 else to decide that.	
on an as-needed basis in order to improve		25 But organizations will establish	
	Page 191	,	Page 1
financial results without having to take		1 reserves. And at certain points if they don't	
expense on the income statement. Is that the		2 need them anymore, they'll use them and reverse	
way you use cushion accounting?		3 them.	
A. Cushion accounting, I mean		4 Q. I'm not trying to put you on the	
	i i		
		5 spot here, Mr. Cancelmi, but actually, the use	
cushion first of all, there's nothing in the literature that talks about cushion accounting.		5 spot here, Mr. Cancelmi, but actually, the use6 of acquisition accounting to create cushions	
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	Page 198		Page 200
record at 2:56.	-	1 MR. WHITNEY: Whatever it says, I'm	
Q. I need to mark, I guess, 1063, if		2 asking him, do you remember introducing the	
it's not been marked before.		3 idea of the \$50 million of reserves, period.	
it's not been marked before.		4 MR. TYCKO: To whom?	
(Thereupon, Deposition Exhibit 1063		5 MR. WHITNEY: To anyone.	
	l	6 A. Not that I remember.	
was marked for purposes of		7 Q. Okay. Do you remember discussing	
identification.)		8 with Mark Kirstein the subject of the	
O I is in a second desument that	1	9 \$50 million reserves under circumstances where	
Q. I am showing you a document that		0 he said he would take it back to people at	
I've marked as Exhibit 1063, which I want to be	i i	1 Coopers?	
willing to predict with some certainty you have	I		
not seen or you did not author. Whether	i		
you've seen it before or not we'll soon	· ·	Q. All right. You don't remember any	
establish, but for your benefit you can look at	i i	4 conversation in which Kirstein would have said,	
whatever portions of this series of materials		15 I will take it up I'll run it up the flag	
you wish, but the questions I'm going to ask		16 pole?	
you focus on that document that bears the Bates	l l	A. No, I really don't remember. I	
stamp CL147599.		18 think they're referring to that luncheon at	
A. (Witness reviewing document.)		19 Tambellini's. And my recollection, I mean this	
599?		20 is my recollection, whether it's right or not,	
Q. Right. And specifically the fourth	i	21 I don't remember us going to that lunch	
paragraph.		22 thinking, hey, we got this brainstorm of an	
A. Okay.		23 idea, we'll run it by Mark and then see if he	
Q. These are, in fact, I believe,		24 thinks it's okay and then he'll run it to	
Mr. Cancelmi, the notes of someone associated		25 Buettner. I just that wasn't my	
	Page 199	1 recollection of it.	Page 20
with Coopers & Lybrand named Cepielik,		1 recollection of it. 2 Q. If Adamczak's recollection is	
C-e-p-i-e-l-i-k.		3 different, and I don't know if it is or it	
And these apparently are notes from			
an interview with Al Adamczak. I derive that		A ign't but it Adamczak's recollection is	
c d	ļ	4 isn't, but if Adamczak's recollection is 5 essentially as stated in these notes, would you	
from the top of this page bearing the date	·	5 essentially as stated in these notes, would you	
5 10/14/98.		5 essentially as stated in these notes, would you6 dispute that?	
Whether they are or they aren't,		 5 essentially as stated in these notes, would you 6 dispute that? 7 A. Yeah. I mean that just I don't 	
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51 (Pages 198 to 201)

	Page 202		Page 204
that to me first or maybe even the creditors. Q. Doesn't matter. I'm going to show it to you now and you can tell us what you think of it now. (Thereupon, Deposition Exhibit 1064 was marked for purposes of identification.) (Discussion held off the record.) Q. Let me show you a document that's been marked as Defendant's Exhibit 1064. You were starting to talk to me about notes that you were shown, perhaps, by the SEC. Would these be those notes? A. Yes. Q. For the benefit of the assembled masses, these notes appear to say at the top, Dan C, 4/18, Buettner/Frazier. Do you recognize the handwriting here? A. Yes. Q. Whose handwriting is this? A. Mark Kirstein's. Q. You know his handwriting on sight?		1 receivable outpatient. Do you see that? 2 A. Yes. 3 Q. Do you know what that reference is 4 to? 5 A. I think he's referring to the past 6 statute accounts there. 7 Q. And there are \$80 million in past 8 statute accounts on the books as of April 18th, 9 1997 that are going to be written off? 10 A. Those accounts had started to have 11 already been written off. 12 Q. But you're familiar, you're 13 familiar with that discussion point? 14 A. Yes. 15 Q. And then it next says, placing 16 reserves on Graduate entities to be used for DV 17 A/R at year end. Do you see that? 18 A. Yes. 19 Q. That would do you remember 20 discussing on or about April 18 with 21 Cancelmi or Kirstein, Buettner and Frazier 22 the subject of placing reserves on Graduate 23 entities to be used for Delaware Valley 24 accounts receivable at year end? 25 A. That's consistent with my	
A. Yes. Q. How come? A. I worked with him for a number of years. Q. Do you remember specifically a telephone conversation with Buettner and Frazier and Kirstein on April 18th, perhaps 1977? MR. TYCKO: '77? Q. 1997. A. Not vaguely. I don't remember specifically, although obviously I don't dispute it. I know there was some conversations that took place and, in fact, I think Steve might have been involved in one or two of them. But this one, I don't remember exactly this exact meeting, but I take it that it occurred, because I think, in fact, it may have been on one of the calenders of mine. Q. Well, it says down in the second beneath the line there, \$50 million reserves at Graduate. Will have \$50 million CO. Perhaps	Page 203	1 recollection at the time frame that there had 2 been discussions with Coopers & Lybrand 3 regarding establishing reserves on Graduate and 4 transferring them to DVOG. 5 Q. Are you saying you recall 6 specifically discussing this on April 18 in 7 this conference call or this discussion that is 8 referenced in these notes? 9 A. I can't say I specifically 10 remember. 11 Q. All right. But what are you then 12 saying? You don't remember this discussion, 13 but you remember conversations to this effect? 14 A. Right. 15 Q. All right. 16 A. I mean it's six years ago. I can't 17 say that, you know, I remember exactly what was 18 discussed at a certain date back then, but my 19 general recollection was, you know, this issue 20 was discussed several times around that time 21 frame, so that would be consistent with what's 22 noted here. 23 Q. Down at the bottom there, there's a	Page 26

52 (Pages 202 to 205)

		Page 206		Page 208
1	A. Becomes part of PP&E/intangible as		1 that were going to be recorded as part of the	
	part of purchase adjustment from SDN to AHERF.	1	2 purchase price adjustment, in the same manner	
	Defers AR problem to be deferred, I guess. AR		3 recorded as goodwill.	
	problem to be deferred.		Q. Let me show you another document,	
5	Q. Do you know what he's talking about	1	5 if I may, and then perhaps come back to this 6 document. And the document that I want to show	
	when he's talking about becomes part of PP&E/intangible?		7 you is a document that has been previously	
7 8	A. Yeah. Meaning when the reserves	1	8 marked in this case, I believe. Let me just	
	were established on Graduate, it became part		9 check it out here. Yeah, as Deposition	
	of it was recorded by it was recorded in	Į.	10 Exhibit 154.	
	intangible assets or included in goodwill and,		11 A. (Witness reviewing document.)	
	therefore, the goodwill would be amortized over		12 Q. Do you recall this document?	
	a length of time. And the ultimate life that		13 A. Yes.	
	T		14 Q. You don't even probably need to	
15	Q. Do you remember telling Coopers	ļ	15 read it by now.	
16	about where these \$50 million of reserves came		16 A. No.	
	from?		17 Q. The first paragraph says, "as a	
18	A. Yeah. I mean they it was my		18 result of various items identified during the	
19	understanding that they were aware that the		19 due diligence process, certain restructuring	
	reserves were established on Graduate.	ŧ	20 reserves have been recorded on the Graduate 21 hospitals' financial statements prior and	
21	Q. But more specifically, that they		21 hospitals' financial statements prior and 22 subsequent to the hospitals being acquired by	
	were they were created by debiting goodwill? A. Actually, the goodwill piece of the	Ţ	23 SDN. These reserves have been classified as	
23 24	reserves came, you know, a little bit later on,	ľ	24 'below-the-line' expenses on the income	
	because I think there's a memo that's written		25 statement. With the recent integration of the	
		Page 207		Page 209
1	where there was initial I thought it would		1 Graduate hospitals into the AHERF system on	
2	be recorded as restructuring costs.		2 36 1 1007 11 Cd	
2			2 May 1, 1997, all of the reserves were recorded	
3	But then I believe it was Spargo		3 prior to May 1, 1997. Accordingly, since the	
4	But then I believe it was Spargo told me, well, it would be recorded as part of	ļ	3 prior to May 1, 1997. Accordingly, since the4 SDN financial statements are not consolidated	
4 5	But then I believe it was Spargo told me, well, it would be recorded as part of a purchase price.		 prior to May 1, 1997. Accordingly, since the SDN financial statements are not consolidated into AHERF's financials, AHERF's fiscal 1997 	
4 5 6	But then I believe it was Spargo told me, well, it would be recorded as part of a purchase price. Q. Adjustment.		 3 prior to May 1, 1997. Accordingly, since the 4 SDN financial statements are not consolidated 5 into AHERF's financials, AHERF's fiscal 1997 6 operating results will not be adversely 	
4 5 6 7	But then I believe it was Spargo told me, well, it would be recorded as part of a purchase price. Q. Adjustment. A. Purchase price adjustment. And the	ļ	 3 prior to May 1, 1997. Accordingly, since the 4 SDN financial statements are not consolidated 5 into AHERF's financials, AHERF's fiscal 1997 6 operating results will not be adversely 7 impacted by these reserves." 	
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